

September 28, 2012

To: Executive Board

Subject: **FY 2013 Financial Statements and Investment Summary – August 2012**

Recommendation

Receive and file the Financial Statements and Investment Summary for Fiscal Year 2013.

Analysis

The attached Financial Statements and Investment Report summarize Foothill Transit's unaudited operations and financial condition for the second month of the fiscal year ending June 30, 2013.

Foothill Transit's cash position of \$58.6 million is \$8.0 million less than the previous month. This decrease of cash is the net change between the uses of cash and sources of cash. Uses of cash include an increase in due from other governments of \$4.1 million, a decrease in account payable of \$3.9 million and an increase in accounts receivable of \$528,800. Sources of cash consisted of \$505,000 of excess operating grants.

August 2012 fare revenues were \$1.56 million, which is 1.82 percent more than the monthly budgeted amount. This is a continuation of the trend established in the prior fiscal year even though revenue estimates were increased approximately seven percent. It is difficult to isolate the factors responsible for this increase. The economy is beginning to show signs of improvement (sales tax revenues are increasing), but unemployment remains constant at approximately eight percent.

Operating costs through August were \$10.8 million, which is \$781,000 less than the budget. These costs are \$380,000 or 3.6 percent more than for the same period one year earlier. Foothill Transit had sufficient funds to meet all of its obligations.

Balance Sheet Analysis (Attachment A):

Assets

The balance sheet as of August 31, 2012 shows total assets at \$226.3 million. This total consists primarily of \$150.5 million in fixed assets and \$58.6 million in cash and investments. The cash and investments balance includes \$10.0 million invested in the Local Agency Investment Fund (LAIF); \$14.2 million in non-interest bearing accounts held with Bank of the West; \$20.4 million in an interest bearing account with Bank of the West; \$5.0 million with Chase; \$4.0 million with Bank of the West and \$2.9 million with

Executive Board Meeting – 9/28/12
Fiscal Year 2013 Financial Statements and Investment Summary
Page 2

Wells Fargo invested in FDIC insured Certificates of Deposits earning interest through the Certificate of Deposits Account Registry Service (CDARS) program; and \$2.0 million in US Treasury Bills.

Investments (Attachment B)

Our current investments are held in financial instruments pursuant to Foothill Transit's investment policy. Funds held with Bank of the West are in non-interest earning accounts to qualify for FDIC insurance, eliminating the risk of loss. The LAIF investment, the CDARS investments, the deposits with Chase and US Treasury Bills earn interest and are held for future capital and operating funding requirements. These accounts earn interest; however at a very low rate. The LAIF interest rate as of August 2012 was 0.377 percent; slightly more than the previous month's rate of 0.363 percent. The most recent change in the prime interest rate was effective December 16, 2008 reducing it to 3.25 percent. While the prime has not changed in more than three years, LAIF interest rates have continued a downward trend until reaching current levels and then with small variations up and down.

Liabilities

The accounts payable balance is \$7.8 million. \$6.1 million of this amount represents the amount due and payable to the contractors for July and August services. Other amounts payable include fuel costs of \$423,000, Monrovia Dial-A-Ride service of \$55,000 and \$170,000 due Metro.

Operating Revenue and Expense Analysis (Attachment C):

Fare Revenue

August 2012 fare revenue of \$1.56 million was 1.82 percent more than the monthly budgeted amount and \$152,000 more than July 2012 revenue. The August amount is \$52,000 or 3.38 percent less than the prior year monthly average.

While August revenues are slightly more than the prior month and slightly less than the prior year monthly average, the August revenues are 1.82 percent more than the amount budgeted. Revenues are tracking very close to prior year amounts indicating stable ridership and an economy that is neither improving nor weakening. This may be the case even though recent indicators have indicated everything but a stable economy.

State and Local Funding Subsidies of \$8.5 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were approximately 1.9 percent less than planned for in the budget. Normally Foothill Transit would experience a shortfall in these revenues due to Metro's delay starting payments for a new fiscal year. Foothill Transit has sufficient funds to meet all of its obligations.

Executive Board Meeting – 9/28/12
Fiscal Year 2013 Financial Statements and Investment Summary
Page 3

Expenses

Year to date operating expenses through August 2012 were \$10.8 million, compared with the budget of \$11.6 million. This difference of approximately \$780,000 resulted in a 6.7 percent favorable variance. The majority of this favorable variance is the result of fuel cost savings of \$680,000 with the balance spread over several departments and not attributable to any one account. It should be noted that the August 2012 year to date expenses of \$10.8 million are \$379,000 more than the prior fiscal year.

Farebox Recovery Ratio

The August year to date farebox recovery ratio was 27.49 percent; 0.73 percent more than the performance target of 26.76 percent. The farebox recovery ratio was derived by dividing the total fare revenue figure of \$2,978,555 by the total operating expense figure of \$10,531,141. This ratio has increased 0.99 percent from the July 2012 figure of 26.5 percent.

Sincerely,



Richard Hasenohr
Director of Finance



Doran J. Barnes
Executive Director

Attachments

Foothill Transit
Balance Sheet
As of August 31, 2012

Assets

Current Assets:

Cash	\$ 34,582,368
Investments	24,047,588
Due from government agencies	14,053,881
Other receivables	2,983,440
Other assets	160,926

Total Current Assets	<u>75,828,204</u>
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Property & Equipment (net of depreciation)	150,510,317
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Total Assets	<u><u>\$ 226,338,521</u></u>
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Liabilities and Equity

Current Liabilities:

Accounts payable and accrued liabilities	\$ 7,809,246
Current portion of long term debt	1,000,000

Deferred Revenue	<u>42,626,087</u>
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Total Liabilities	<u>51,435,333</u>
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Equity

Fund Balance:	<u>174,903,188</u>
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Total Equity	<u>174,903,188</u>
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Total Liabilities and Equity	<u><u>\$ 226,338,521</u></u>
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Summary of Cash and
Investment Account
For August 31, 2012

	Interest Rate	Term	Principal Amount/Book Value	Market Value
Cash:				
Bank of the West-Reg. Checking	N/A	Demand Deposit	\$6,783,845	\$6,783,845
Petty Cash	N/A	N/A	400	400
Revolving Fund - Transit Stores	N/A	N/A	1,500	1,500
Bank of the West-Excise Tax	N/A	Demand Deposit	7,374,259	7,374,259
Bank of the West-Money Market	0.150%	Demand Deposit	10,022,272	10,022,272
Bank of the West-Money Market	0.250%	Demand Deposit	4,510,000	4,510,000
Bank of the West-CTAF ³ Fund	0.750%	Demand Deposit	982,414	982,414
Bank of the West-Money Market	0.250%	Demand Deposit	4,907,678	4,907,678
Subtotal Cash on Hand			<u>34,582,368</u>	<u>34,582,368</u>
Unrestricted Investments:				
Chase Business Saving	0.500%	Demand Deposit	5,040,633	5,040,633
Bank of the West-CDARS	N/A	Cert. of Deposit	4,000,000	4,000,000
Wells Fargo-CDARS	0.175%		2,988,000	2,988,000
Treasury Bills			1,998,787	1,998,787
LAIF Investment	0.381%	Demand Deposit	10,020,169	10,020,169
Subtotal Unrestricted Investments			<u>24,047,588</u>	<u>24,047,588</u>
Total Cash and Investments			<u><u>\$58,629,957</u></u>	<u><u>\$58,629,957</u></u>

Notes:

- 1) The investments listed above are in compliance with Foothill Transit's Investment Policy dated July 22, 2004.
- 2) Foothill Transit has the ability to meet its expenditure requirements for the next six months.
- 3) California Transit Assistance Funds

Foothill Transit
Statement of Revenue and Expense
For Month Ended August 31, 2012

	Actual August -12	Budget August -12	Variance Favorable (Unfavorable)	Actual August - 11
Operating Revenue				
Farebox	\$1,897,701	\$2,090,000	(9.20%)	\$2,009,622
Pass Sales	500,358	474,083	5.54%	551,855
TAP Cash Purse	341,126	253,700	34.46%	147,357
MetroLink	44,602	4,733	842.29%	6,609
EZ Transit Pass	194,768	252,417	(22.84%)	220,266
Total Operating Revenue	2,978,555	3,074,933	(3.13%)	2,935,709
Non-Operating Revenue				
Transportation Development Act (TDA)	2,906,874	2,875,767	1.08%	2,905,592
STA	676,676	676,683	(0.00%)	549,276
Prop A 40% Discretionary	2,171,046	2,171,050	(0.00%)	2,235,704
Prop A 40% BSCP	653,126	787,083	(17.02%)	632,798
Prop C BSIP	140,738	140,733	0.00%	137,789
Prop C Base Restructuring	302,290	302,283	0.00%	295,956
Prop C Transit Service Expansion	50,374	50,367	0.01%	49,319
Prop A & C Interest				
Transit Security-Operating	118,100	118,583	(0.41%)	102,944
Measure R Operating	1,314,384	1,180,417	11.35%	1,463,224
Excise Tax Credit				
FTA Sec 5307 Operating				363,296
FTA Sec 5307 ARRA				
CMAQ		166,667		
Gain on Sale of Fixed Assets				
Auxiliary Revenue	217,902	250,000	(12.84%)	203,632
Total Non-Operating Revenue	8,551,510	8,719,633	(1.93%)	8,939,529
Total Revenue	11,530,065	11,794,566	(2.24%)	11,875,238
Available Capital Funding				
Capital Grants	304,451			507,587
Other				
Total Revenue and Capital Funding	11,834,516	11,794,566		12,382,825
OPERATING EXPENSES				
Operations	9,414,405	9,618,083	2.12%	8,681,731
Marketing and Communications	164,459	299,650	45.12%	203,769
Information Technology	186,504	267,650	30.32%	465,895
Administration	215,981	321,567	32.83%	248,098
Procurement	66,125	144,467	54.23%	71,149
Sales and Service	294,772	307,867	4.25%	288,802
Finance	216,869	217,200	0.15%	219,995
Safety and Security	91,477	157,650	41.97%	105,883
Planning	86,298	158,533	45.56%	73,190
Building Management	97,252	122,733	20.76%	96,523
Total Operating Expenses	10,834,141	11,615,400	6.73%	10,455,035
Capital and Other Expenses				
Capital	304,208		N/A	550,234
Interest			N/A	
Dial-A-Ride	55,000		N/A	112,744
Special Services			N/A	
Other Misc. expense			N/A	825
Total Capital and Other Expenditures	359,208		N/A	663,804
Increase (Decrease) of Revenues Over Expenditures	\$ 641,166			\$ 1,263,985